

AUDITOR'S CORNER

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(This is the second in a series of three articles about the process of maintaining rental trust account records. The subjects are "Deposit Cycle", "Disbursement Cycle" and "Monthly Reconciliation".)

To the right is a flow chart detailing the four steps in recording the disbursement of trust monies. The numbers by this chart correspond to those by the examples of forms on the facing page. Following is an explanation of each step:

1. The first step is to prepare a supplemental disbursement (check) worksheet. This worksheet establishes the basis for a clear audit trail to the journal and property ledger sheets. If a check pertains to only one property ledger, then it would be sufficient to comply with the Commission's rule by identifying the applicable property ledger on the journal and check.
2. Prepare the trust account check.
3. Record the check on the journal. Calculate and record the running balance.
4. Post the information on the supplemental disbursement (check) worksheet onto the individual property ledger sheets. Calculate and record the running balance on each property ledger sheet.
5. After posting from the supplemental disbursement worksheet(s) to the individual property ledgers, check to see if the posted amounts and the calculated running balances on the ledgers are correct by reconciling all the individual property ledger sheets to the journal. (ie: add up the ending running balances on the property ledgers and compare to the ending journal balance for agreement.)

1.

Prepare Supplemental Worksheet

2.

Prepare Check

3.

Record Check In Journal

4.

Post From Supplemental Check Worksheet to Individual Ledgers

5.

Reconcile

Rental Trust Account Disbursement Cycle

Second of a three-part series

1. Supplemental Check Worksheet

SUPPLEMENTAL CHECK WORKSHEET		
1/21/0X - CHECK #103 - YOUR REALTY CO., INC. (E)		
PROPERTY	PURPOSE	AMOUNT
143 North Boulevard	1/0X Management Fees	\$60.00
2500 Johnson Street	1/0X Management Fees	\$55.00
		\$115.00

(E) - Date and check number provide cross-reference to corresponding check.

2. Management Fee Check

YOUR REALTY COMPANY TRUST ACCOUNT ANYTOWN, NC 12345		103
1/21/0X		
Your Realty Company, Inc.	\$ 115.00	
One hundred fifteen and 00/100Dollars		
1/0X Mgt Fees - SCW	John Broker	
6625 54218974932478 56784 89745662147		

3. Trust Account Journal

YOUR REALTY COMPANY, INC.					
TRUST ACCOUNT JOURNAL					
NC Insured Bank A/C# 123-456-7890					
DATE	DESCRIPTION	NUM	DEPOSITS	CHECKS	BALANCE
1/03/0X	DEPOSIT	0X-1 (A)	\$ 3,600.00		\$3,600.00
1/04/0X	DEPOSIT	0X-2	\$ 2,300.00		\$5,900.00
1/11/0X	Ajax Plumbing - 143 N. Blvd - Repairs	101		\$75.00	\$5,825.00
1/20/0X	Gerald Howard - 143 N. Blvd Net Jan Rent to Owner	102		\$465.00	\$5,360.00
1/21/0X	Your Realty Company, Inc. 1/0X Mgt Fees	103		\$115.00	\$5,245.00
1/22/0X	Jack Thomas - NSF - 1362 Main St	DM (B)		\$2,500.00	\$2,745.00
1/30/0X	F. Lee Bailey, Attorney 119 Maple Closing	104		\$1,000.00	\$1,745.00
1/31/0X	DEPOSIT	0X-3	\$2,500.00		\$4,245.00
1/31/0X	NC Insured Bank Check Printing Charges	DM		\$25.00	\$4,220.00

(A) - Referenced to sequentially numbered deposit tickets
(B) - Debit Memo
✓ - Cleared Bank

5. Reconcile

4. Individual Property Trust Account Ledger Sheets

NAME: Gerald Howard, Owner - - Clark, Tenant		ACCOUNT NO.		
ADDRESS: 143 North Boulevard		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/04 0X	Charles Clark Security Deposit	0X-2	\$600.00	\$600.00
1/04 0X	Charles Clark Jan Rent	0X-2	\$600.00	\$1,200.00
1/11 0X	Ajax Plumbing Repairs	101	\$75.00	\$1,125.00
1/20 0X	Gerald Howard Net Jan Rent To Owner	102	\$465.00	\$660.00
1/21 0X	Your Realty Co., Inc. Jan Management Fee	103	\$60.00	\$600.00

NAME: Your Realty Company, Inc. - Personal Funds		ACCOUNT NO.		
ADDRESS:		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/03 0X	Your Realty Company Inc. Personal Funds	0X-1	\$100.00	\$100.00
1/31 0X	NC Insured Bank Check Printing Charges	DM	\$25.00	\$75.00

NAME: Allan Ward, Owner - - Stephens, Tenant		ACCOUNT NO.		
ADDRESS: 2500 Johnson Street		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/04 0X	Blake Stephens Security Deposit	0X-2	\$550.00	\$550.00
1/04 0X	Blake Stephens Jan Rent	0X-2	\$550.00	\$1,100.00
1/21 0X	Your Realty Co., Inc. Jan Management Fee	103	\$55.00	\$1,045.00

NAME: Clay (Seller) to Thomas (Buyer)		ACCOUNT NO.		
ADDRESS: 1362 Main Street		SHEET NO.		
DATE	ITEMS	DEPOSITS	CHECKS	BALANCE
1/03 0X	Jack Thomas EMD	0X-1	\$2,500.00	\$2,500.00
1/22 0X	Jack Thomas NSF	DM	\$2500.00	\$0.00
1/31 0X	Jack Thomas Redeposit NSF EMD Check	0X-3	\$2,500.00	\$2,500.00